

# Chapter 7 Economic Development and Tourism

## Vision

*Talbot County Maryland has the premier location to attract and retain modern business enterprises. The county has clean, safe communities that boast strong, balanced economies. The County has targeted key industry sectors to attract, including environmentally friendly technology companies, light manufacturing, tourism, healthcare and service industries.*

*Economic vitality is supported by the availability of dedicated land with access to water, sewer, transportation, broadband, energy and the infrastructure necessary to serve commercial and industrial needs. Jobs for all age ranges provide families with opportunities to attain upward mobility, higher education and a comfortable living standard. The county seeks to retain its young professionals and working families through high quality job training and educational opportunities to help them find work and careers in an evolving local and regional economy.*

*The county's unspoiled rural character, vibrant historic towns and abundant shorelines support a healthy tourism industry. The Chesapeake Bay's water resources and water quality in our bays, rivers and streams draws visitors to experience recreational activities, cultural assets and the robust populations of crab, oysters, fish, and wildlife. The County's strong agribusiness, seafood, forestry and food industries coexist with modern technology companies, light manufacturing, recreation and service industries.*

*The County has responded to a sustained interest in heritage tourism with the coordination of historic trails, sites and events. The Towns have designated historic districts and established incentives for historic rehabilitation, which has attracted profitable merchants and residents. Cottage industries and local vendors have continued to prosper and enjoy support from the local communities.*

*Residents and elected officials are actively engaged in proactive, innovative efforts to maintain their quality of life and determine their future. Successful economic development is described in a strategic plan for the County and towns with goals that create local job opportunities and sustain the quality of life in the county. A diversified and expanded tax base is made possible through targeted marketing and contributes income to provide enhanced public services, updated infrastructure, public safety and facilities for our residents.*

## Goal

To diversify and expand the County's economic base to provide a broad range of employment opportunities, resulting in a strong and balanced tax base that provides a net benefit to the community.

### 1. Introduction

Since its colonial founding, Talbot County's economic base has transitioned from agriculture and maritime industries to a predominantly service sector economy. Tourism was already a significant source of revenue by the late nineteenth century.

Talbot County's location, rural character and scenic attributes form a framework of assets to support economic growth and continued diversification in the economic base. Talbot County offers a strategic location, a superior quality of life with abundant recreational, cultural and social opportunities and a

host of economic opportunities that belie its rural setting. The County's existing commercial centers are located in proximity to the incorporated Towns of Easton and St. Michaels. The Town of Trappe has the opportunity to grow its economic base to further serve the southern area of the county. Very little undeveloped land is zoned for commercial growth outside the incorporated towns.

Economic development activities are allied through retention, expansion and attraction efforts to contribute to a tax base that will help sustain the County's prosperity. A stronger tax base enables a community to support a higher quality of life, advanced educational opportunities, a sophisticated infrastructure system and a safe community through reinvestment into community services and amenities.

## **II. Economic Development**

### **A. Economic Sectors**

2010 Census statistics reviewed in Chapter 1 (Background) reveal that the service industry remains the largest business sector in the county. Education and Health Services employ about 20% of the non-governmental workforce, followed closely by trade, transportation and utilities.

The Maryland Department of Labor reports that, following current trends, low skilled service occupations have the highest expected demand for employees with about one third of all workers needed. Highly skilled professionals comprise another 20% of projected demand (See Chapter 1 for more on employment). The rest of the workforce will be made up of highly skilled and educated individuals with knowledge and expertise in a variety of disciplines.

An appreciable portion of Talbot County's workforce is drawn from the surrounding counties of the Eastern Shore, with some workers coming from more distant Delaware and Pennsylvania. In 1990, 67% of the workforce was employed locally. In 2010, that number rose to 72.8% of the workforce.

Residents traveling out of the county for employment increased from 3,836 in 2000 to 4,885 in 2010. Employment destinations included Anne Arundel County and Washington, DC.

Inbound commuters generally account for 38% of the county workforce. Most commute from nearby, with over half of the workers coming from upper Eastern Shore counties.

Many of the county's residents are under-employed. For example, over 15% of the workforce is employed in the leisure and hospitality sector, with an average weekly wage of \$360. In contrast, manufacturing employs 5.4% of the workforce at an average weekly wage of \$731, according to statistics provided by the Maryland Department of Labor, Licensing and Regulation (DLLR).

### **B. Traditional Industries**

Talbot County's agricultural industry remains a significant component of the economic base. In 2012, Census of Agriculture reported the total market value of products sold at \$85.7 million. The major products were poultry and grains. Talbot was the sixth ranked producer of grain crops in the state and the seventh ranked producer of chicken. The sales figure represents a 77% increase from the 2007 Census figure of \$50.5 million.

While the gross sales in agricultural industries are one measurement of the impact of agriculture on the economy, industries that are linked to agriculture give a more complete picture of its economic impact. "Backward-linked" industries are all of those that the agricultural industry supports through

purchases. These industries include fuel, fertilizer, machinery sales and repair, feed and many others. “Forward linked” industries purchase agricultural commodities and in some way add value to them through packaging and/or processing. Backward and forward linked industries contributed more than \$165 million to the local economy in the 2007 Census.

The seafood industry also plays a role in the local economy. There are twelve seafood processing facilities in Talbot County. One operator is also listed as a food manufacturing facility. Independent watermen, oyster hatcheries and retail markets are also components of the non-tourism segment of the local economy.

As described in Chapter 3 (Transportation), Easton Airport contributes \$50 Million per year to the local economy through fuel sales and related jet and aircraft activity.

The County is home to the University of Maryland Shore Medical Center, is the County’s largest employer. UMSMC includes several ancillary facilities such as eldercare and support for the large community of retired persons.

The wide-ranging manufacturing and technical sector in Talbot County promotes resiliency through economic diversification. The County offers the lowest Real Property Tax rate and the second lowest Income Tax rate in the state, to attract and retain its base of business activity.

### **C. Economic Development Planning Partners**

The Talbot County Office of Economic Development (OED) was established in 1994. Its traditional focus has been the retention and expansion of existing businesses with additional efforts to assist new business start-ups and a reactive stance toward the relocation of businesses from outside the County.

More recently, the OED has positioned the County to become proactive in the recruitment of targeted businesses. The “Environmental Peninsula” (EP) effort was spearheaded by Talbot County to create a cluster of environmental businesses on the Eastern Shore of Maryland. The OED continues to focus on business attraction through links to institutions of higher learning and federal facilities, forming a synergy to promote continued business investment. The County engages in marketing efforts to attract businesses that will have minimal environmental impact but can employ skilled wage workers.

Services offered by the OED include access to financial assistance programs; education and training programs; regulatory assistance; statistical and demographic information; an inventory of available sites and buildings; and assistance with information on housing, finance, zoning, and licensing. Additionally, the OED has formed partnerships with local, regional, State and federal governments, as well as with education and workforce development organizations. The OED hosts an annual business appreciation breakfast to raise the awareness of business activities in the County and to recognize outstanding investment, employment and innovation.

The Talbot County Chamber of Commerce offers assistance to local businesses trying to expand in the community through programs such as the Service Corp of Retired Executives (SCORE).

The Town of Easton promotes economic vitality through the Easton Economic Development Corporation (EEDC), a public/private partnership. The EEDC drives investment in the Town of

Easton with a focus on smart redevelopment and business formation. The OED partners with the EEDC on business attraction and retention and other programs of mutual benefit.

An Accommodation Tax is collected from hotel, motel, bed and breakfasts, country inns, and vacation rentals throughout Talbot County. Revenues are returned to the municipalities that collected the taxes, less a minimal fee. Other taxes collected remain with the County government and are used to support the Talbot County Office of Tourism and Office of Economic Development.

#### **D. Planning Initiatives**

In 2008, the Talbot County Economic Development Commission compiled a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis that detailed the county's local economic conditions. Included with the analysis were suggested actions the community could take to capitalize on or counter the findings. Recommendations included developing initiatives aimed at agricultural expansion, tourism, education, job creation and workforce development. Opportunities were also identified to expand the County's commercial base, recruit federal entities, improve the transportation infrastructure and reverse threatening trends including the loss of businesses.

In 2010, the OED completed an economic analysis based on currently available Census data. The report provided comprehensive information regarding the county's major industries, demographics, labor force, employment, wages, business environment, housing, educational system, tax base, land use, and development environment. It also provided information concerning the community's major employers.

In 2011, the County Economic Development Commission completed a land use recommendation report, which discussed land use in the county, described limitations on industrial growth and development and identified parcels of land available for future industrial use. The report also underscored the lack of dedicated industrial land and infrastructure necessary to develop technology-based businesses and higher wage jobs. It pointed out that the statewide average for commercial tax revenues is 19%, while just 10% of Talbot County tax revenues are generated from commercial businesses.

#### **E. 2013 Talbot County Economic Development Strategic Plan**

The Talbot County Office of Economic Development contracted Sage Policy Group, Inc. to develop an Economic Development Strategic Plan for Talbot County and the incorporated Towns. Its purpose is to, "Help guide future management, prioritization and allocation of resources for the development of infrastructure to support a viable tax base for the County and Towns."

The study team interviewed stakeholders representing every community, reviewed strategic planning and reports such as those noted above and analyzed local data. The Plan strives to develop a consistent and mutually agreeable direction for economic development.

An economic analysis concluded that more than 77% of businesses in Talbot County are classified as micro-enterprises (with up to 9 employees) and represent roughly 22% of total employment. Another 14.4% are considered small businesses (between 10 and 24 employees) comprising an additional 21% of County employment.

The study identified several areas of economic development opportunity, including:

1. Embracing the county's role as senior living/retirement community. Health services represent an opportunity for economic growth and the county remains an attractive retirement destination with a

significant healthcare infrastructure. Higher demand for senior-related services would create more middle-wage and entry level jobs in the community.

2. Building on the county's diverse base of manufacturing companies. The study team believed that the County should focus on attracting more high-tech manufacturing companies, particularly those that develop environmental or renewable energy technologies.

3. Attracting management and technical consulting services and business support services. These types of businesses tend to support higher-wage jobs and could make the county more attractive to other firms who will be able to take advantage of such services.

4. Supporting financial advisory and insurance services. These establishments and agencies represent a particularly important opportunity for Talbot County, owing to an ongoing demand for services on the part of businesses, residents and families. These segments are associated with high wages and create a range of job opportunities.

5. Development of Easton Airport as a source of economic opportunity for Talbot County. The airport could provide substantial value-added services to corporate and other citizens. Developable land has been identified for future improvements in the *Airport Master Plan*.

Economic development challenges were identified in the key inputs of labor, physical capital and land. The County's industrial/commercial base is small and the number of firms has fallen sharply relative to other communities in recent years.

The Sage Policy Group, Inc.'s report also made the following observation:

Talbot County requires a long term enhancement to its tax base if it is to preserve the current level of services to its citizens. At the same time, the County needs to attract the type of businesses that will provide challenging, well-paying jobs in an effort to retain the community's young people after they have completed their education. While the County currently supports retail sales and food services, these types of jobs will not provide the level of tax revenues nor the professional and artisan positions needed for long-term growth and stability.

Recommendations were outlined to address the identified challenges. Implementation guidelines were provided for each recommendation. Sage evaluated Priority Funding Areas (PFAs) in the county and determined that current PFAs are consistent with long-term community economic development objectives.

Among the 15 recommendations to the County Council, the report identified the following activities for immediate implementation:

1. Consider becoming more business friendly by improving government customer service and reviewing existing regulations, as well as initiating greater contact with entrepreneurs and major employers.
2. Aggressively pursue target industries for retention and attraction by creating new resources for economic development. Potential services include start-up advice and training, financial assistance, business location and site selection assistance and employee recruitment and training assistance.

3. Modify qualifications of the Real Property Tax Credit to provide the Office of Economic Development with greater flexibility and opportunity to use it, as well as lowering the threshold to \$1 million invested and 15 employees hired in order to receive the credit.
4. Increase the amount of strategically situated industrial & commercially-zoned land in Talbot County, including in larger towns; several properties were identified & prioritized.

## F. Technology to Support Economic Development

As the national economy increasingly relies on information based services, a robust data infrastructure has become critical to local success in business, education and workforce retention. In its analysis of development potential, the *2013 Economic Development Strategic Plan for Talbot County* identified poor internet access as a weakness.

Access to high speed network capacity is key to present-day business location decisions and the quality of information available to community residents. Neither the traditional telephone system nor the cable television franchise system is built to provide the level of service modern industry requires.

Talbot County is at risk of falling behind in establishing the necessary broadband capacity to support its economy and workforce. network to improve the quality and availability of data services to businesses and residents. The need to move forcefully in catching up is a matter of some urgency.

The County should take a forceful and active leading role in developing a high speed broadband network to improve the quality and availability of data services to businesses and residents.

A high-capacity broadband backbone parallels the major transportation artery through the County, providing network accessibility. The County shall seek strategic partnerships which are needed to build the infrastructure to connect users to the broadband network.

## Economic Development Policies

7.1 The County will continue to support the Office of Economic Development in its efforts to retain and/or expand existing businesses within the County and to market the Midshore Region as a premier location for a broad range of innovative businesses which will accentuate and capitalize upon the area's assets while preserving its rural character.

7.2 To be competitive, the County shall seek mechanisms to supply equitable access to broadband services, with the objective of developing efficient and equitable access for commercial development, remote work, workforce development and community wellbeing.

7.3 The County should consider promoting and negotiating broadband service as a public utility.

7.4 Development will be directed to Designated Growth Areas in towns with commercially and industrially zoned land. Business parks will not be developed on septic systems.

7.5 Workforce housing will be a priority for infill development projects in the County's incorporated ~~municipalities~~ towns, and will be encouraged with planning and development incentives that result in the retention and attraction of workers to supply target industry sectors and support communities.

7.6 The County will seek regional partnerships to establish and nurture lifelong learning opportunities in support of job opportunities, workforce training and upward mobility and an

educated populace. The County should form a Blue Ribbon Panel to examine the existing educational and training opportunities in the region, identify models for cooperation and expansion of opportunities, and prepare recommendations to increase access to all citizens.

7.7 The County supports preservation and enhancement of agriculture, forest lands, waters and open space as key components of the area's economic, social, cultural and environmental wellbeing.

7.8 The Office of Economic Development shall track and monitor the market needs and opportunities for retail, office, commercial storage, manufacturing and other target industries. The County should strive to ensure that a reasonable balance is reached to provide access to appropriately zoned land for commercial and industrial purposes.

7.9 The County should encourage development of modern aquaculture industries in keeping with our maritime heritage, taking advantage of our coastal geography to create employment opportunities and to support the local economy.

### III. Tourism

#### A. Overview

Tourism has a complex role in the local economy, providing direct economic benefits plus the economic rationale for preserving a high percentage of County land in farms and open space.

The County's most unique characteristics including its abundant historic and cultural resources, its many miles of shoreline, its towns and villages and its largely rural character, provide the qualities that create a premier destination for visitors seeking an authentic experience.

The goal of the Office of Tourism is to bring people to Talbot County to enjoy its vast beauty and to visit local shops, restaurants and hotels.

The mission of the Talbot County Office of Tourism is to:

1. Serve as Talbot County's official destination marketing organization (DMO), promoting attractions, accommodations and services;
2. Provide residents and visitors with information and services to ensure a positive experience; and
3. Position Talbot County as a premier travel destination.

While traditional industries in the County, like restaurants or boating, have long benefited from the tourist economy, the local focus in recent years has been on the development and growth of heritage and nature-based tourism.

Tourism is a major economic driver in the County. The 2013 Report, *The Economic Impact of Tourism in Maryland*, compiles some recent statistics on Talbot County tourism:

- The number of visitors increased by 9% from 2008 to 2012, with the steadiest gains in day visits;
- Annual tourism revenues grew to over \$170.2 million in 2012, from \$157 million in 2008; and
- Hotel tax receipts were over \$1 million in each of the five years, while other State and local tax receipts remained at over \$21 million;
- Tourism generated over 13% of labor income at \$55.9 million and 13.8% of all employment with 1,760 jobs.

The Accommodation Tax is used to support tourism and economic development activities in the county.

The Office of Tourism continues to support a combined effort among all the county's towns to present a cohesive visitor experience. It strives to offer state-of-the-art digital marketing and web presence, combined with strategically targeted advertising and public relations.

Agriculture serves a dual role in economic development, generating revenue to the County as well as serving as a basis for preservation of a particular quality of life. The farms, open space and shoreline are also important to the County's image throughout Maryland and the nation as a place to live and visit. To maintain its allure, agriculture must remain viable and significant acreage must be maintained in farmland and low density development.

## **B. Scenic Byways**

The Office of Tourism also cooperates with other County tourism offices in the region to promote the Midshore region to vacationers from around the world. One such collaborative project is a proposal to connect the Midshore area to a National Scenic Byway. Talbot, Dorchester and Caroline Counties, in partnership with the Maryland Office of Tourism Development, crafted a Corridor Management Plan (CMP) to be included in an expansion of the Chesapeake Country National Scenic Byway. The project lays out the remaining portion of the State-designated Byway and paves the way for a national designation covering the entire Eastern Shore.

The purpose of the CMP is to help the counties and their agency partners to protect and promote the rich natural and cultural resources found throughout the byway corridor and to implement strategies for sustainable tourism development based on that heritage. The byway will benefit the area communities by supporting regional collaboration, enhancing the capacities of groups and agencies involved in tourism, and creating new economic opportunities based on increased visitation to the region.

The *Michener's Chesapeake Country Scenic Byway Corridor Management Plan* has been adopted by reference as an amendment to the *Talbot County Comprehensive Plan*. The corridor management plan describes the goals, strategies and responsibilities for conserving and enhancing the byway's unique qualities. It includes both a long-term vision for what the byway may become over time, as well as a short-term action plan. The management plan is required in order to apply for national designation through the America's Byways Program.

In order to generate economic value for the Talbot County communities through which the byway passes, it is important to maintain the character-defining features that are attractive to potential visitors. The byway plan is consistent with the County's tradition of land stewardship, resource conservation and historic preservation, and the related policies already in place.

## **Tourism Policies**

7.10 The County should continue to encourage and promote actions by the Office of Tourism.

7.11 The County should encourage increased cooperation among public and private organizations that interpret resources and publicize and promote tourism and accomplish these goals via partnerships among local and regional leaders, non-profit organizations, businesses, and State agencies.



7.12 The County should consider broadening the range of available interpretive and educational programs to enhance understanding and support by residents and visitors of the County and its resources.

#### IV. Summary

Talbot County has a diverse economy that encompasses traditional industries dating back to the first Maryland settlements as well as the cutting edge of technology. The County continues to be a popular tourist destination, bringing visitors who enjoy its natural attributes, arts and history. As the patterns of commerce and industry have changed, the County has pursued strategies to attract and retain businesses and families, to maintain vibrant and resilient communities.

Some identified economic development challenges, such as expensive land and costly housing, are not addressed in this chapter. However the policies found in other chapters of this Plan are intended to complement one another's goals.

The Talbot County Office of Economic Development offers access to financial assistance programs, regulatory assistance and other valuable services. The OED also forms partnerships with all levels of governments and key organizations.

The Talbot County Office of Tourism supports efforts to present a cohesive visitor experience and position the County as a premier travel destination. These efforts range from promotion of seasonal events to the development of byway plans that expose visitors to the area's many aspects and attractions.

7-1 Labor Force Working In and Outside Talbot County, 1990- 2010			
	1990	2000	2010
Live and work in County	12,524	12,194	13,071
Live in and work out of County	3,083	3,836	4,885